

Message Text

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SUBJECT: GATT BOP CONSULTATIONS ON PORTUGAL IMPORT SURCHARGE

REF: (A) GENEVA 5261, (B) LISBON 3320

1. WE HAVE REVIEWED IMF DOCUMENT SM/75/181 (SUPPLEMENTAL BACKGROUND MATERIAL FOR PORTUGAL BOP CONSULTATIONS). THOUGH DOCUMENT FAILS TO MAKE ANY FINDINGS ON APPROPRIATENESS OF PORTUGUESE IMPORT SURCHARGE (AS IS USUALLY DONE IN PRE-CONSULTATION IMF STATEMENTS), BOTH THE SERIOUSNESS OF THE PORTUGUESE BOP SITUATION AND DEPT. TALKS WITH IMF OFFICIAL (NOWZAD) REPRESENTING FUND AT MEETING SUGGEST THAT IMF WILL PROBABLY CONCLUDE IN ITS GUIDANCE STATEMENT THAT THE IMPORT

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SURCHARGE IS NOT UNREASONALBY RESTRICTING AND IS NECESSARY

UNDER THE CIRCUMSTANCES. IN SUBJECT MEETING MISSION SHOULD CONTINUE TO TAKE A LOW-KEY POSITION, ACKNOWLEDGING THE SERIOUSNESS OF THE PORTUGUESE BOP SITUATION AND THE NEED FOR CORRECTIVE MEASURES WHILE AT THE SAME TIME EXPRESSING THE HOPE THAT THE IMPORT SURCHARGE CAN BE REMOVED AT AN EARLY DATE.

2. ALTHOUGH MISSION SHOULD KEEP IN MIND PORTUGUESE SENSITIVITIES ABOUT CRITICISM INTENDED OR NOT OF IMPORT SURCHARGE AS NOTED IN REF B, IF APPROPRIATE, MISSION MAY

DRAW ON THE FOLLOWING ITEMS OF INTEREST TO THE US IN PARTICIPATING IN THE DISCUSSIONS:

A) COMMENTS BY THE GOP ON THE EFFECTIVENESS OF THE IMPORT SURCHARGE AND RELATED DOMESTIC MEASURES IN TERMS OF CORRECTING THE BOP DEFICIT.

B) PLANS, IF ANY, THAT GOP MAY HAVE FOR THE ADOPTION OF ADDITIONAL COMPLEMENTARY INTERNAL MEASURES, INCLUDING FISCAL AND MONETARY POLICIES, TO HELP IMPROVE THE PORTUGUESE FINANCIAL POSITION.

C) PROJECTIONS THE GOP HAS, IF ANY, ON WHEN THE BOP MIGHT IMPROVE SUFFICIENTLY TO ALLOW COMMENCEMENT OF PHASE-OUT OR COMPLETE ELIMINATION OF THE IMPORT SURCHARGE.

D) PLANS TO SEEK LOANS FROM IMF--CREDIT TRANCHES AND/OR OIL FACILITY.

3. IN VIEW OF THE CIRCUMSTANCES OF THE PORTUGUESE SITUATION AND THE PROBABLE IMF POSITION, US REP SHOULD NOT QUESTION THE APPROPRIATENESS OF THE SURCHARGE. HOWEVER, PROVIDED WESTERN EUROPEANS INITIATE APPROVAL OF THE SURCHARGE, US REP MAY JOIN IN A CONCLUSION THAT THE MEASURE DOES NOT GO BEYOND WHAT IS CONSIDERED NECESSARY UNDER THE CIRCUMSTANCES. US REP SHOULD SUGGEST OR SUPPORT PROPOSAL THAT THE WORKING PARTY BE CONTINUED IN EXISTENCE UNTIL PORTUGUESE NOTIFICATION OF TERMINATION OF IMPORT SURCHARGE. KISSINGER
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